

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS

PRACTICES OF THE

**WOODMEN ACCIDENT AND LIFE COMPANY**  
**NAIC # 70602 CDI # 0684-1**

**ASSURITY LIFE INSURANCE COMPANY**  
**NAIC # 71439 CDI # 2003-2**

AS OF FEBRUARY 28, 2002

**STATE OF CALIFORNIA**



**DEPARTMENT OF INSURANCE**

**FIELD CLAIMS BUREAU**

## **TABLE OF CONTENTS**

SALUTATION.....	1
SCOPE OF THE EXAMINATION.....	2
CLAIMS SAMPLE REVIEWED AND OVERVIEW OF FINDINGS.....	3
TABLE OF TOTAL CITATIONS.....	4
SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS AND TOTAL RECOVERIES.....	5

**CALIFORNIA DEPARTMENT OF INSURANCE**

Consumer Services and Market Conduct Branch  
Field Claims Bureau, 11th Floor  
Ronald Reagan State Office Building  
300 South Spring Street  
Los Angeles, CA 90013



March 26, 2003

The Honorable John Garamendi  
Insurance Commissioner  
State of California  
45 Fremont Street  
San Francisco, California 94105

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, an examination was made of the claims practices and procedures in California of:

**Woodmen Accident and Life Company**

**NAIC #70602**

**Assurity Life Insurance Company**

**NAIC #71439**

Hereinafter referred to as the Companies.

This report is made available for public inspection and is published on the California Department of Insurance web site ([www.insurance.ca.gov](http://www.insurance.ca.gov)) pursuant to California Insurance Code section 12938.

## **SCOPE OF THE EXAMINATION**

The examination covered the claims handling practices of the aforementioned Companies during the period March 1, 2001 through February 28, 2002. The examination was made to discover, in general, if these and other operating procedures of the Companies conform with the contractual obligations in the policy forms, to provisions of the California Insurance Code (CIC), the California Code of Regulations (CCR), the California Vehicle Code (CVC) and case law. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

To accomplish the foregoing, the examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Companies for use in California including any documentation maintained by the Companies in support of positions or interpretations of fair claims settlement practices.
2. A review of the application of such guidelines, procedures, and forms, by means of an examination of claims files and related records.
3. A review of consumer complaints received by the California Department of Insurance (CDI) in the most recent year prior to the start of the examination.

The examination was conducted primarily at the office of the California Department of Insurance in Los Angeles, California.

The report is written in a “report by exception” format. The report does not present a comprehensive overview of the subject insurer’s practices. The report contains only a summary of pertinent information about the lines of business examined and details of the non-compliant or problematic activities or results that were discovered during the course of the examination along with the insurer’s proposals for correcting the deficiencies. When a violation is discovered that results in an underpayment to the claimant, the insurer corrects the underpayment and the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered, however, and failure to identify, comment on or criticize activities does not constitute acceptance of such activities.

Any alleged violations identified in this report and any criticisms of practices have not undergone a formal administrative or judicial process.

## CLAIM SAMPLE REVIEWED AND OVERVIEW OF FINDINGS

The examiners reviewed files drawn from the category of Closed Claims for the period March 1, 2001 through February 28, 2002, commonly referred to as the “review period”. The examiners reviewed 53 Woodmen Accident and Life Company claims files and 19 Assurity Life Insurance Company disability claim files. The examiners cited four claims handling violations of the Fair Claims Settlement Practices Regulations and/or California Insurance Code Section 790.03 within the scope of this report. Further details with respect to the files reviewed and alleged violations are provided in the following tables and summaries.

<b>Woodmen Accident &amp; Life Insurance Company</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Whole Life	57	31	0
Disability Income	28	21	4
Annuities	1	1	0
<b>TOTALS</b>	86	53	4

<b>Assurity Life Insurance Company</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Disability Income	19	19	0
<b>TOTALS</b>	19	19	0

<b>TABLE OF TOTAL CITATIONS</b>			
<b>Citation</b>	<b>Description</b>	<b>Woodmen Accident &amp; Life Company</b>	<b>Assurity Life Insurance Company</b>
CCR §2695.4(a)	The Companies failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.	3	0
CCR §2695.7(b)(3)	The Companies failed to include a statement in their claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance.	1	0
<b>Total Citations</b>		4	0

## **SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS AND TOTAL RECOVERIES**

The following is a brief summary of the criticisms that were developed during the course of this examination related to the violations alleged in this report. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. In response to each criticism, the Company is required to identify remedial or corrective action that has been or will be taken to correct the deficiency. Regardless of the remedial actions taken or proposed by the Company, it is the Company's obligation to ensure that compliance is achieved. There were no recoveries discovered within the scope of this report.

**1. The Companies failed to disclose all policy provisions.** In three instances, the Companies failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy. The Department alleges these acts are in violation of CCR § 2695.4(a).

**Summary of Companies Response:** The Companies have acknowledged that they do not include policy information such as the monthly benefit amount, the maximum benefit period, the elimination period, and the beginning date on their computer generated Explanation of Benefits letter sent to the insured. As a result of the examination, the Companies have created a letter to comply with the requirement. Training on the usage of the benefits disclosure letter will be conducted on February 20, 2003 with their staff.

**2. The Companies failed to advise the claimant that he or she may have the claim denial reviewed by the California Department of Insurance.** In one instance, the Companies failed to include a statement in their claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance. The Department alleges this act is in violation of CCR §2695.7(b)(3).

**Summary of Companies Response:** The Companies have acknowledged that the letter used in this instance did not contain the required language. They view this as oversight and have counseled the claim analyst on the use of the required language on denial letters. A training session will be conducted with all staff on February 20, 2003 to emphasize the requirement.